

Transmode AB (publ)

Interim Report, January-June 2015

April-June 2015

- Sales were SEK 310.9 (250.0) m, an increase of 24.3%, or 12.9% adjusted for exchange rate fluctuations.
- Operating profit was SEK 35.4 (21.9) m, corresponding to an operating margin of 11.3% (8.8). Adjusted operating profit, excluding transaction expenses related to Infinera's public offer to Transmode's shareholders, amounted to SEK 43.4 (21.9) m, corresponding to an adjusted operating margin of 13.9% (8.8).
- Net profit was SEK 27.5 (19.1) m.
- Basic and diluted earnings per share were SEK 0.99 (0.69).
- Cash flow from operating activities was SEK 80.9 (78.5) m.

January-June 2015

- Sales were SEK 600.2 (481.3) m, an increase of 24.7%, or 12.0% adjusted for exchange rate fluctuations.
- Operating profit was SEK 82.5 (43.4) m, corresponding to an operating margin of 13.7% (9.0). Adjusted operating profit, excluding transaction expenses related to Infinera's public offer to Transmode's shareholders, amounted to SEK 90.5 (43.4) m, corresponding to an adjusted operating margin of 15.1% (9.0).
- Net profit was SEK 65.3 (37.7) m.
- Basic and diluted earnings per share were SEK 2.36 (1.36).
- Cash flow from operating activities was SEK 124.0 (80.1) m.

SEK m	Apr-Jun			Jan-Mar		Jan-Jun	Jan-Jun
	2015	2014	Change %	2015	Change %	2015	2014
Sales by region:							
EMEA	230.7	213.7	8.0	231.5	-0.4	462.2	406.4
Americas	71.3	31.0	129.7	47.4	50.6	118.7	60.8
APAC	8.9	5.3	67.2	10.4	-14.5	19.3	14.1
Total Sales	310.9	250.0	24.3	289.3	7.5	600.2	481.3
Operating profit	35.4	21.9	60.7	47.1	-25.2	82.5	43.4
Operating margin (%)	11.3	8.8		16.3		13.7	9.0
Adjusted operating profit	43.4	21.9	97.3	47.1	-8.1	90.5	43.4
Adjusted operating margin (%)	13.9	8.8		16.3		15.1	9.0
Profit for the period	27.5	19.1	44.3	37.8	-27.4	65.3	37.7
Diluted and basic earnings per share (SEK)	0.99	0.69	44.3	1.36	-27.4	2.36	1.36
Cash flow from operating activities	80.9	78.5		43.1		124.0	80.1

100G Driving Strong Growth

Transmode is now back in a high-growth phase, and in this quarter, our sales increased by 24% to SEK 311 m, our strongest-ever quarter. A strong gross margin and continued investment in products and business development produced an adjusted operating profit of SEK 43 m, corresponding to an adjusted operating margin of 14%. In addition to the healthy earnings, we also posted a strong cash flow in the quarter.

The demand for our 100G products is very high from current and new customers, with this share now exceeding 10% of our sales. Announcements in the quarter included Liberty Global, one of Transmode's largest customers, starting to build 100G networks in Europe using Transmode products.

We are growing in all regions, with the Americas growing fastest, by as much as 130% year on year. A high proportion of the sales increase in the Americas is sourced from existing customers, primarily for Data Center Interconnect (DCI) solutions. We also secured new customers in this region, and I continue to take a very positive view of this progress.

Sales in EMEA were up by 8%, and I'm pleased to conclude that some of our largest customers increased their investments in Transmode products in the quarter. The positive partner and service sales trend we have seen is remaining stable. Service sales represent a modest but increasing share of our business, and are making a positive contribution to gross margins.

Continued investment in product development resulted in new, innovative products in the quarter. At the yearly WDM & Next Generation Optical Networking conference in Nice Transmode launched the PT-Fabric, a next-generation modular switching solution, which takes packet transport and Ethernet switching to terabit levels in 100G based metro networks.

We have a strong first half-year behind us with healthy growth, high profitability, new customers and strong demand for our new, 100G products, and so I take a positive view of our future.

Karl Thedéen
Chief Executive Officer

About Transmode

Transmode is a global provider of packet-optical networking solutions that enable fixed line and mobile network operators to cost effectively address the capacity needs created by the rapid growth in video and data traffic. These solutions are important building blocks in next-generation high-speed optical networks that support services such as broadband backhaul, mobile data backhaul, video delivery services and cloud computing. Transmode's solutions are designed to increase the capacity, flexibility and functionality of metro and regional networks and are based on Wavelength Division Multiplexing (WDM) and transport technologies such as Ethernet. Transmode's Native Packet Optical 2.0 architecture gives customers key advantages such as cost efficient Ethernet services, ultra-low latency, low power consumption and future proof network design.

Transmode is headquartered in Stockholm, Sweden and is listed on the NASDAQ Stockholm Exchange (TRMO). Since 2000 the company has installed more than 50,000 systems for over 650 fixed and mobile network operators, service providers, large enterprises and public institutions in over 50 countries across the globe.

For more information about Transmode, visit www.transmode.com

Significant Events in the Quarter

Transmode announced that Liberty Global, the world's largest international cable TV operator, has started to build 100G networks in Europe using Transmode's TM-Series platform.

Transmode has also started shipments to a major North American cable operator. The initial orders are for small-scale projects, but Transmode sees good potential for business with this customer in the longer term.

In addition, Transmode announced that it has delivered a new high-capacity network to Cable Color in Honduras.

At the yearly WDM & Next Generation Optical Networking conference in Nice, Transmode launched the PT-Fabric, a next-generation modular switching solution, which takes packet transport and Ethernet switching to terabit levels in 100G based metro networks

In the quarter, Transmode also announced the latest member of the EMXP IIe family, the EMXP 240, which delivers very compact and energy-efficient 10G Ethernet switching for metro-edge P-OTS applications.

In the quarter, Transmode appointed Hassan Tabrizi as acting CFO. Hassan succeeds Johan Wilsby, who as previously reported, will be leaving Transmode in July.

Transmode has published its Sustainability Report for 2014, which is based on Global Reporting Initiative GRI G3.1 guidelines for level C.

Transmode's Board of Directors unanimously decided to recommend that Transmode's shareholders accept the public offer from Infinera announced on 9 April 2015.

The Board has also reported that it is positive to the enhanced offer providing Transmode shareholders an additional consideration alternative consisting of potentially all cash announced on 29 June 2015.

Sales

April-June 2015

Sales in the quarter were SEK 310.9 (250.0) m, an increase of 24.3% year on year. Adjusted for exchange rate fluctuations, the increase was 12.9%.

Sales in EMEA were up by 8.0%, or by 0.8% adjusted for exchange rate fluctuations. This growth is driven by sales of Data Center Interconnect (DCI) solutions and by some of our largest accounts

upscaling their investments compared to the second quarter of the previous year.

Sales increased by 129.7% in the Americas (North and South America), or by 80.0% adjusted for exchange rate fluctuations. The high sales increase in the Americas is mainly driven by large-scale deliveries on several major existing accounts in the US, not least in DCI.

In APAC, which is more project dependent and thus subject to quarterly fluctuations, sales increased by 67.2% to SEK 8.9 m, or by 31.0% adjusted for exchange rate fluctuations. Our new partner initiative in the region is continuing to generate positive results.

January-June 2015

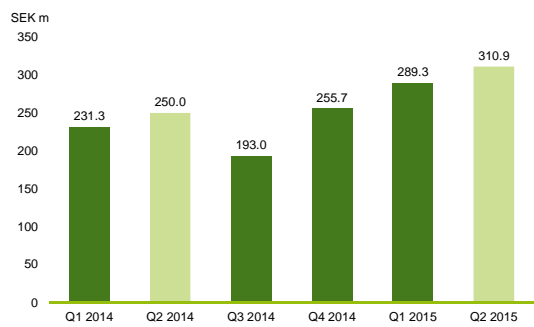
Sales in the period were SEK 600.2 (481.3) m, an increase of 24.7% year on year. Adjusted for exchange rate fluctuations, the increase was 12.0%.

Sales in EMEA were up by 13.7%, or by 5.1% adjusted for exchange rate fluctuations. This growth is driven by sales of Data Center Interconnect (DCI) solutions and some of our largest accounts showing signs of higher rates of investment than in the previous year.

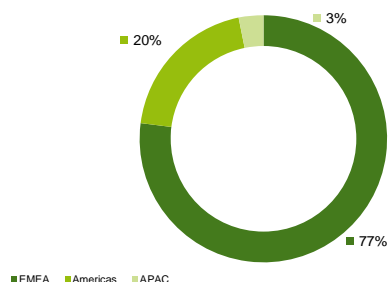
Sales increased by 95.1% in the Americas (North and South America), or by 52.1% adjusted for exchange rate fluctuations. The high sales increase in the Americas is mainly driven by large-scale deliveries on several major existing accounts in the US.

In APAC, which is more project dependent and thus subject to quarterly fluctuations, sales increased by 36.8% to SEK 19.3 m, or by 6.5% adjusted for exchange rate fluctuations. Our new partner initiative in the region is generating positive results.

Total sales by quarter, Q1 2014 – Q2 2015



Total sales by region, January-June 2015



Total sales by region

SEK m	Apr-Jun		Jan-Jun		Jan-Jun
	2015	2014	2015	2014	Change %
EMEA	230.7	213.7	462.2	406.4	13.7
Americas	71.3	31.0	118.7	60.8	95.1
APAC	8.9	5.3	19.3	14.1	36.8
Total Sales	310.9	250.0	600.2	481.3	24.7

Results of Operations

April-June 2015

Gross profit for the quarter was SEK 160.8 (123.6) m, corresponding to a gross margin of 51.7% (49.5). The increased gross margin is due to a combination of product mix and higher service sales.

Gross profit in the second quarter of the previous year would have been SEK 4.8 m higher after adjustments for exchange rate fluctuations against the SEK.

Operating expenses for the quarter, excluding other income and other operating expenses, were SEK 114.8 (98.3) m. Research and development expenses increased in the quarter, mainly explained by reduced capitalization and increased amortization. Development expenses of SEK 16.0 (21.6) m were capitalized in the period, and amortization of capitalized development expenditure was SEK 9.4 (7.4) m. The increased operating expenses are mainly due to a sharper focus on business development, product launches and negative progress of exchange rates. Transmode is maintaining cost control consistent with the previously reported cost and efficiency program, but is simultaneously continuing to invest in segments with growth potential.

Other operating expenses of SEK 10.6 (3.4) m consist of the effects of exchange rate fluctuations and transaction expenses related to Infinera's offer to Transmode's shareholders. Expenses related to exchange rate fluctuations consist of currency losses of SEK 2.6 (3.5) m, of which losses on currency contracts

of SEK 0.9 (7.4) m and losses on balances with customers and suppliers of SEK 1.7 m (gains of 3.9). Operating profit in the quarter was charged with transaction expenses of SEK 8.0 (-) m related to Infinera's offer to Transmode's shareholders. In the third quarter 2015, operating profit may be charged with further significant transaction expenses related to the public offer from Infinera being accepted by Transmode's shareholders.

Operating profit for the quarter was SEK 35.4 (21.9) m, corresponding to an operating margin of 11.3% (8.8). Adjusted operating profit excluding transaction expenses related to Infinera's public offer to Transmode's shareholders was SEK 43.4 (21.9) m, corresponding to an adjusted operating margin of 13.9% (8.8).

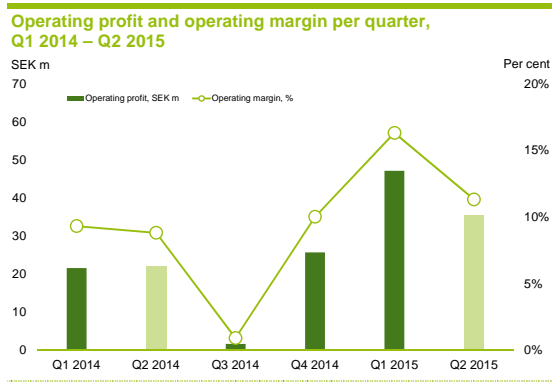
January-June 2015

Gross profit for the first half-year 2015 was SEK 312.5 (237.2) m, corresponding to a gross margin of 52.1% (49.3). The increased gross margin is due to a combination of product mix and higher service sales. Gross profit in the corresponding period of the previous year would have been SEK 13.9 m higher after adjustments for exchange rate fluctuations against the SEK.

Operating expenses for the period, excluding other income and other operating expenses, were SEK 220.5 (190.5) m. Research and development expenses increased in the period, mainly explained by reduced capitalization and increased amortization. Development expenses of SEK 28.5 (41.3) m were capitalized in the period, and amortization of capitalized development expenditure was SEK 19.3 (14.8) m. Adjusted for the capitalization and amortization of development expenses, research and development expenses increased to SEK 105.0 (103.9) m, or by 1.1% in year-on-year terms. The increased selling and administrative expenses are mainly due to a sharper focus on business development, product launches and negative progress of exchange rates. Transmode is maintaining cost control consistent with the previously reported cost and efficiency program, but is simultaneously continuing to invest in segments with growth potential.

Other operating expenses of SEK 9.5 (3.3) m consist of exchange rate gains on currency contracts of SEK 0.4 m (losses of 7.8) and losses on the translation of balances with customers and suppliers of SEK 1.9 m (gains of 4.6), as well as transaction expenses of SEK 8.0 (-) m related to Infinera's offer to Transmode's shareholders.

Operating profit for the period was SEK 82.5 (43.4) m, corresponding to an operating margin of 13.7% (9.0). Adjusted operating profit excluding transaction expenses related to Infinera's offer to Transmode's shareholders, was SEK 90.5 (43.4) m, corresponding to an adjusted operating margin of 15.1% (9.0).



Cash Flow, Investments and Financial Position

January-June 2015

Cash flow from operating activities was SEK 124.0 (80.1) m in the period. Transmode reported an improved cash flow for the period, driven by earnings improvements in year-on-year terms and reductions in working capital in 2015.

Working capital at the end of the period was SEK 50.9 (75.8) m.

Investments in property, plant and equipment in the period were SEK 5.6 (4.3) m. Investments in intangible assets were SEK 31.3 (41.8) m, of which capitalized development expenses were SEK 28.5 (41.3) m, and software licenses for Transmode's new products were SEK 2.8 (0.5) m.

The company paid a dividend of SEK 54.0 (180.1) m in the second quarter. In the previous year, SEK 130.2 m was an extra dividend. In the period, the company made SEK - (3.3) m of treasury share purchases in its incentive program, of which SEK - (-) m in the second quarter.

Total cash flow for the first half-year was SEK 32.8 (-149.6) m.

Transmode's cash and cash equivalents were SEK 327.1 (284.0) m at the end of June. Arranged credit facilities were SEK 12.8 (12.0) m, of which SEK 2.8 (3.1) m were utilized for bank guarantees issued.

As of 30 June 2015, the company had currency forward contracts on commitments to sell currency of

EUR 16.2 m at an average spot rate of SEK/EUR 9.32 and GBP 4.6 m at an average spot rate of SEK/GBP 12.69. The fair value of currency forward contracts is recognized as other current assets and other current liabilities.

Fair value of derivative instruments

SEK m	30 Jun 2015	30 Jun 2014	31 Dec 2014
Other current assets	1.7	-	-
Other current liabilities	-1.2	-6.6	-5.0
Net asset/(liability)	0.5	-6.6	-5.0

Currency forward contracts are recognized in valuation hierarchy level 2 in accordance with IFRS 13. For other financial instruments, fair value corresponds to book value.

Equity and the Transmode Share

Consolidated equity was SEK 595.4 (558.0) m at the end of June 2015. The total number of shares was 27,788,676 as of 30 June 2015. Transmode has acquired a total of 79,440 treasury shares. There were no acquisitions in the period. This brings the total number of outstanding shares to 27,709,236.

The consolidated equity/assets ratio was 67.2% (68.4) at the end of the quarter.

Employees

Transmode had 283 (288) employees as of 30 June 2015 compared to 281 at year-end 2014. The average number of employees in the first half-year 2015 was 278 (288), or 288 for the full year 2014.

Transactions with Related Parties

There were no significant transactions with related parties in the first half-year 2015.

Risks and Uncertainty Factors

Transmode's operations are exposed to certain risks that can affect its business, results of operations or financial position to a lesser or greater extent. Transmode has established a process for identifying risks and decision-making relating to risk management.

Transmode's Annual Report for 2014 describes the company's risk exposure from perspectives including market, operations, customers and finances. In Transmode's assessment, since the presentation of the Annual Report, no additional significant risks and uncertainty factors have arisen that could be expected to affect the company. However, the macroeconomic situation has meant that the

exchange rate against the SEK for our most important foreign currencies, GBP, USD and EUR, has been, and may remain, volatile.

Parent Company

The parent company, Transmode AB, is primarily a holding company, which holds and manages shares in subsidiaries and also sells certain group-wide services to subsidiaries. At the end of June 2015, the parent company had 14 (14) employees.

Parent company sales in the first half-year were SEK 12.3 (11.5) m, all of which relate to invoicing of services sold to subsidiaries. Operating profit/loss was SEK -12.5 (-2.7) m. Adjusted operating profit, excluding transaction expenses related to Infinera's public offer to Transmode's shareholders, as SEK -4.5 (-2.7) m. At the end of the reporting period, the parent company held cash and cash equivalents of SEK 25.9 (35.2) m.

Annual General Meeting

The AGM on 16 April re-elected Board members Torbjörn Nilsson, Helena Nordman-Knutson, Tom Nyman, Axel Roos, Kevin Taylor and Roland Thornton. Ian Jenks was elected. The AGM re-elected Tom Nyman as Chairman of the Board.

The AGM approved the Board of Directors' proposal of a dividend to shareholders of SEK 1.95 per share. Monday 20 April 2015 was set as the record date for the dividend. The dividend was paid on Thursday 23 April 2015.

The AGM approved the Board of Directors' proposal for a long-term incentive program. This program involves the creation of a long-term share savings program for all of Transmode's some 290 employees and may involve granting a maximum of 161,200 shares.

The AGM also approved the Board of Directors' proposal to authorize the Board to decide on purchases of treasury shares on NASDAQ Stockholm, corresponding to a maximum of 1.6% of all the shares of the company (covering all the 2013-2015 share savings programs approved by the AGM), and on the transfer of a maximum of 161,200 treasury shares to participants in the 2015 program.

Accounting Policies

This Interim Report has been prepared in accordance with IFRS (International Financial Reporting Standards) as endorsed by the EU Commission for application in the EU. This Interim Report has been prepared in accordance with IAS 34 Interim Financial

Reporting and the Swedish Annual Accounts Act. For a description of the group's accounting policies and definitions of certain terms, please refer to the Annual Report 2014. The policies applied are essentially unchanged since the previous year.

The parent company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Accounting for Legal Entities. In most cases, this implies that the parent company applies the same IFRS/IAS as in the Consolidated Accounts, albeit subject to certain exemptions as stated in the Consolidated Accounts for 2014.

New and revised IFRSs that have become effective after 1 January 2015 have not had any effect on Transmode's financial position and results of operations.

Significant Events after the End of the Reporting Period

Magnus Grenfeldt has taken up the position as acting Vice President of R&D, succeeding Ingrid Nordmark, who will be leaving the company.

Transmode has announced that Yahoo Japan, a leading Japanese Internet provider, has built a 10G WDM network using Transmode equipment.

Seasonality

Transmode experiences some seasonal effect on the company's sales from quarter to quarter. In recent years, like many other companies in the telecom industry, Transmode's sales have often tended to be lower in the first quarter and higher in the fourth quarter. However, the division of sales between quarters is primarily controlled by large customers' purchasing patterns.

Operating expenses are also sequentially low in the third quarter, due to the majority of vacations being taken.

Outlook

Transmode's market is driven by the underlying increase in data traffic driven by video applications, business services, cloud computing and mobile broadband. Accordingly, there is a continued substantial need for investment in equipment that increases the capacity of optical fiber networks. At present, there is nothing to suggest that these underlying drivers are weakening.

Reporting Dates

- Interim Report, July-September, 22 October 2015
- Year-end Report 2015, February 2016

Invitation to Press and Analysts' Conference Call

Transmode AB will host a conference call (in English) for investors, analysts and the media on 16 July at 9.00 a.m. CET where Karl Thedéen, CEO, and Johan Wilsby, CFO, will present and comment on Transmode's Interim Report. To participate, call +44 20 342 814 15 alternatively the Swedish no. +46 8 566 426 66 and state "Transmode conference call" a few minutes before the scheduled start. The conference call and the presentation will also be streamed live on Transmode's website: <http://www.transmode.com/en/investors/reports/interim-reports>. The presentation will also be available on the company's website after the conference concludes.

Financial Statements

Condensed Consolidated Income Statement

SEK m	Apr-Jun		Jan-Jun		Jul 2014-	Jan-Dec
	2015	2014	2015	2014	Jun 2015	2014
Sales	310.9	250.0	600.2	481.3	1,048.9	930.0
Cost of goods and services provided	-150.1	-126.4	-287.7	-244.1	-502.4	-458.8
Gross profit	160.8	123.6	312.5	237.2	546.5	471.2
Other income	0.0	0.0	0.0	0.0	0.1	0.1
Research and development expenses	-48.1	-40.0	-94.3	-76.4	-175.7	-157.8
Selling expenses	-54.8	-48.8	-103.6	-94.8	-207.9	-199.1
Administrative expenses	-11.9	-9.5	-22.6	-19.3	-42.1	-38.8
Other operating expenses	-10.6	-3.4	-9.5	-3.3	-11.2	-5.0
Operating profit	35.4	21.9	82.5	43.4	109.7	70.6
Net financial income / expenses	-0.5	2.1	0.4	4.1	3.1	6.8
Profit before tax	34.9	24.0	82.9	47.5	112.8	77.4
Taxes	-7.4	-4.9	-17.6	-9.8	-23.7	-15.9
Profit for the period	27.5	19.1	65.3	37.7	89.1	61.5
Attributable to:						
Equity holders of the parent company	27.5	19.1	65.3	37.7	89.1	61.5
Average no of shares before dilution ('000)	27,709	27,709	27,709	27,719	27,709	27,714
Basic earnings per share (SEK)	0.99	0.69	2.36	1.36	3.22	2.22
Average no of shares after dilution ('000)	27,709	27,709	27,709	27,719	27,709	27,714
Diluted earnings per share (SEK)	0.99	0.69	2.36	1.36	3.22	2.22
Operating profit above includes						
– Amortization of intangible fixed assets	-10.3	-9.0	-21.9	-17.9	-43.4	-39.4
– Depreciation of tangible fixed assets	-2.9	-2.3	-5.7	-4.5	-10.7	-9.5

Condensed Consolidated Statement of Comprehensive Income

SEK m	Apr-Jun		Jan-Jun		Jul 2014-	Jan-Dec
	2015	2014	2015	2014	Jun 2015	2014
Profit for the period	27.5	19.1	65.3	37.7	89.1	61.5
Other comprehensive income						
Items that can be subsequently reversed in the Income Statement						
Translation differences	-0.6	0.3	0.1	0.3	0.9	1.1
Income tax relating to components of other comprehensive income	–	–	–	–	–	–
Other comprehensive income for the period, net of tax	-0.6	0.3	0.1	0.3	0.9	1.1
Total comprehensive income for the period	26.9	19.4	65.4	38.0	90.0	62.6
Attributable to:						
Equity holders of the parent company	26.9	19.4	65.4	38.0	90.0	62.6

Condensed Consolidated Statement of Financial Position

SEK m	30 jun 2015	30 jun 2014	31 Dec 2014
ASSETS			
Goodwill	88.4	88.4	88.4
Capitalized development expenses	134.3	114.3	125.1
Other intangible assets	6.3	7.7	6.1
Tangible fixed assets	26.7	24.5	26.8
Deferred tax asset	3.4	2.2	3.4
Other financial assets	6.2	5.5	5.9
Total non-current assets	265.3	242.6	255.7
Inventories	106.0	92.6	89.0
Accounts receivable	157.2	165.4	168.6
Other current assets	30.5	31.3	37.6
Cash and cash equivalents	327.1	284.0	294.8
Total current assets	620.8	573.3	590.0
TOTAL ASSETS	886.1	815.9	845.7
EQUITY AND LIABILITIES			
Equity	595.4	558.0	583.0
Deferred tax liability	42.5	39.2	40.7
Provisions	5.5	5.1	5.1
Total long-term liabilities	48.0	44.3	45.8
Accounts payable	126.8	102.7	96.9
Provisions	6.5	13.6	11.6
Other current liabilities	109.4	97.3	108.4
Total current liabilities	242.7	213.6	216.9
TOTAL EQUITY AND LIABILITIES	886.1	815.9	845.7

Condensed Consolidated Statement of Cash Flows

SEK m	Apr-Jun		Jan-Jun		Jul 2014-	Jan-Dec
	2015	2014	2015	2014	Jun 2015	2014
Profit after financial items	34.9	24.0	82.9	47.5	112.8	77.4
Non-cash items	11.7	10.5	30.7	18.5	62.4	50.2
Income tax paid	-6.3	-6.3	-10.5	-12.6	-9.7	-11.8
Cash flow from operating activities before changes in working capital	40.3	28.2	103.1	53.4	165.5	115.8
Changes in working capital	40.6	50.3	20.9	26.7	5.9	11.7
Cash flow from operating activities	80.9	78.5	124.0	80.1	171.4	127.5
Acquisitions of intangible and tangible assets	-18.5	-25.5	-36.9	-46.1	-74.9	-84.1
Change in other financial assets	-0.3	-0.1	-0.3	-0.2	-0.7	-0.6
Cash flow from investing activities	-18.8	-25.6	-37.2	-46.3	-75.6	-84.7
Purchases of treasury shares	-	-	-	-3.3	-	-3.3
Dividend to equity holders of the parent	-54.0	-180.1	-54.0	-180.1	-54.0	-180.1
Cash flow from financing activities	-54.0	-180.1	-54.0	-183.4	-54.0	-183.4
Increase / decrease in cash and cash equivalents	8.1	-127.2	32.8	-149.6	41.8	-140.6
Cash and cash equivalents at the beginning of the period	319.5	410.1	294.8	431.5	284.0	431.5
Exchange rate differences in cash and cash equivalents	-0.5	1.1	-0.5	2.1	1.3	3.9
Cash and cash equivalents at the end of the period	327.1	284.0	327.1	284.0	327.1	294.8

Condensed Statement of Changes in Equity

SEK m	Apr-Jun		Jan-Jun		Jul 2014-	Jan-Dec
	2015	2014	2015	2014	Jun 2015	2014
Opening balance	622.0	718.2	583.0	702.4	558.0	702.4
Total comprehensive income for the period	26.9	19.4	65.4	38.0	90.0	62.6
Share-based payment	0.5	0.5	1.0	1.0	1.4	1.4
Purchases of treasury shares	-	-	-	-3.3	-	-3.3
Dividend to equity holders of the parent	-54.0	-180.1	-54.0	-180.1	-54.0	-180.1
Closing balance	595.4	558.0	595.4	558.0	595.4	583.0

Key ratios

SEK m / %	Apr-Jun		Jan-Jun		Jul 2014-	Jan-Dec
	2015	2014	2015	2014	Jun 2015	2014
Sales by region (SEK m):						
EMEA	230.7	213.7	462.2	406.4	816.8	761.0
Americas	71.3	31.0	118.7	60.8	192.9	135.0
APAC	8.9	5.3	19.3	14.1	39.2	34.0
Total Sales	310.9	250.0	600.2	481.3	1,048.9	930.0
Gross profit (SEK m)	160.8	123.6	312.5	237.2	546.5	471.2
Operating profit (SEK m)	35.4	21.9	82.5	43.4	109.7	70.6
Adjusted operating profit (SEK m) ¹	43.4	21.9	82.5	43.4	109.7	70.6
Profit for the period (SEK m)	27.5	19.1	65.3	37.7	89.1	61.5
Working capital (SEK m)	50.9	75.8	50.9	75.8	50.9	78.2
Net cash (SEK m)	327.2	284.5	327.2	284.5	327.2	295.3
Cash flow from operating activities (SEK m)	80.9	78.5	124.0	80.1	171.4	127.5
Sales, change in (%)	24.3	-14.8	24.7	-9.8	7.4	-9.6
Gross margin (%)	51.7	49.5	52.1	49.3	52.1	50.7
Operating margin (%)	11.3	8.8	13.7	9.0	10.4	7.6
Adjusted operating margin (%) ¹	13.9	8.8	15.1	9.0	11.2	7.6
Profit margin (%)	8.8	7.6	10.9	7.8	8.5	6.6
Working capital/sales (%)	7.2	11.5	7.2	11.5	7.2	9.7
Equity/ssets ratio (%)	67.2	68.4	67.2	68.4	67.2	68.9
No of shares at end of period ('000)	27,789	27,789	27,789	27,789	27,789	27,789
No of outstanding shares at end of period ('000)	27,709	27,709	27,709	27,709	27,709	27,709

¹ In April-June, operating profit was charged with transaction expenses of SEK 8.0 (-) m related to Infinera's public offer to Transmode's shareholders. These expenses have been excluded from adjusted operating profit.

For definitions of key ratios, please refer to the Annual Report for 2014, which is available at the company's website: www.transmode.com.

Condensed Parent Company Income Statement

SEK m	Apr-Jun		Jan-Jun		Jul 2014-	Jan-Dec
	2015	2014	2015	2014	Jun 2015	2014
Sales	6.8	5.6	12.3	11.5	22.8	22.0
Administrative expenses	-9.3	-7.0	-16.7	-14.2	-30.8	-28.3
Other operating income and expenses	-8.1	0.0	-8.1	0.0	-8.1	0.0
Operating profit/loss	-10.6	-1.4	-12.5	-2.7	-16.1	-6.3
Net financial income / expenses	0.5	0.8	1.1	2.0	58.1	59.0
Profit/loss after financial expenses	-10.1	-0.6	-11.4	-0.7	42.0	52.7
	2.2	0.2	2.5	0.2	1.6	-0.7
Profit/loss for the period	-7.9	-0.4	-8.9	-0.5	43.6	52.0

Condensed Parent Company Balance Sheet

SEK m	30 jun 2015	30 jun 2014	31 Dec 2014
Assets			
Financial fixed assets	470.6	468.6	469.3
Total non-current assets	470.6	468.6	469.3
Other current assets	16.5	12.5	68.5
Cash and cash equivalents	25.9	35.2	34.4
Total current assets	42.4	47.7	102.9
Total assets	513.0	516.3	572.2
Equity and liabilities			
Equity	498.1	507.0	559.9
Provisions	2.6	1.7	2.0
Other current liabilities	12.3	7.6	10.3
Total current liabilities	12.3	7.6	10.3
Total liabilities and equity	513.0	516.3	572.2
Pledged assets	None	None	None
Contingent liabilities	None	None	None

The Board of Directors and CEO hereby certify that this Interim Report gives a true and fair view of the group's operations, sales, results of operations and financial position. The information presented

corresponds to fact and no material omissions have been made that could affect the presentation of the group and parent company in the accounts.

Stockholm, Sweden, 15 July 2015

Tom Nyman
Chairman of the Board

Ian Jenks
Board member

Torbjörn Nilsson
Board member

Helena Nordman-Knutson
Board member

Axel Roos
Board member

Kevin Taylor
Board member

Roland R. Thornton
Board member

Karl Thedéen
Chief Executive Officer

This Report has been subject to a summary review by the company's auditors.

This information is mandatory for Transmode AB (publ) to publish pursuant to the Swedish Securities Markets Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication at 8.00 a.m. on Thursday 16 July 2015.

This is a translation of the Swedish original. In case of any inconsistency between the Swedish and English version, the Swedish version shall prevail.

For more information please contact

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Report of Review of Interim Financial Information

Introduction

We have reviewed the condensed interim financial information (interim report) of Transmode AB as of 30 June 2015 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 15 July 2015
PricewaterhouseCoopers AB

Johan Engstam
Authorized Public Accountant